Program Summary
School Facilities Board
New Construction

Program Overview

Administered by the School Facilities Board (SFB), the New School Facilities (NSF) Program provides K-12 school districts funds to purchase land and construct new school facilities to accommodate student enrollment growth.

SFB approves new school district projects based on estimated enrollment projections and total district square footage. The board provides funding if approved enrollment projections indicate that additional space will be needed within the next 2 years for an elementary school, or the next 3 years for a middle or high school. Additional space is needed when the district-wide square footage per pupil amount falls below the statutory minimum.

SFB provides new construction funding based on the product of their NSF formula. (See *Table 1* for new construction funding guidelines. See *Table 2* for funding examples.) Land costs are funded in addition to formula funding for new construction.

Table 1
New School Facilities
Statutory Funding Guidelines

Type of School	Sq. Ft. per Pupil	$ per Sq. Ft. 1/
K-6	90	$103.56
7-8	100	$109.32
9-12 (<1,800 pupils)	134	$126.59
9-12 (≥1,800 pupils)	125	$126.59

1/ Increased by 5% for rural school districts. FY 2005 amounts. Adjusted annually for inflation.

SFB first approves a district for new school funding when they agree that the district will need a new school in the next 2 or 3 years. During this first approval, SFB approves the district's budget, which is based on the NSF formula, and gives the district 5% of their funding to pay for architectural and engineering expenses. Districts submit their capital plans by September 1 and SFB reviews these plans and distributes the 5% funding between November-May. Each district must receive additional approval to be able to solicit bids and decide on a contractor. Once this process is complete, the district can start to build the new school.

Projection Difficulties

Numerous challenges arise from projecting new school funding. These include:

- District-by-district funding
- Land
- Inflation
- Emergency deficiencies
- Payment process

District-by-District Funding

One of the challenges SFB faces is that enrollment projections cannot be predicted on a statewide basis and instead need to be estimated at the school district level, which is a requirement under Arizona state statute. Districts qualify for new school construction funding based on their district enrollment projections. One of the reasons the projections need to be estimated on a district-by-district basis is because most districts are not growing at the same rate as the state.

Land

A district needs to acquire land in order to build a new school. When considering where to build a new school, a district needs to take into account location, size, and suitability of the land.

Table 2
New School Facilities
Funding Examples

Type of School	No. of pupils		Sq. ft. per pupil		$ per sq. ft.		Allocation
K-6	750	x	90	x	103.56	=	$6.99M
7-8	850	x	100	x	109.32	=	$9.29M
9-12 (<1,800 pupils)	1,500	x	134	x	126.59	=	$25.44 M
9-12 (≥1,800 pupils)	1,900	x	125	x	126.59	=	$30.07M

Acquiring land is especially difficult for a new high school since a district may have to acquire up to 70 acres of land to build on, whereas an elementary or middle school may require up to 18 or 34 acres depending on the projected number of students. With the increasing land costs and population growth, it may be difficult for districts to get land donated. It can also be difficult to find a suitable location to build a new school. Delays in acquiring a piece of land can throw off projected cash flows for the whole project. (See *Table 3* for a history of land acquisitions.)

Inflation

Since the cost of land is increasing, a piece of property cannot be purchased with the same amount of money today as it previously could have been purchased. Inflation has also accounted for part of the increases in construction inputs such as steel, oil, gas, and cement. These increases in input costs also make it more difficult to build a new school for the same amount of money today as compared to a few years ago. The volatile prices for land and increased construction costs have made it harder to project NSF costs since new construction projects may not be started right away.

Emergency Deficiencies

Monies can be transferred from the NSF Fund to the Emergency Deficiencies Correction (EDC) Fund. SFB distributes monies from the EDC Fund for district facility emergencies. An "emergency" is described as a situation that would seriously threaten the functioning of the district, the preservation or protection of property or public health, welfare or safety. Since monies can be taken out of the NSF Fund for projects other than new school construction, this creates a situation where not all the money that comes out of this fund is necessarily used to build a new school. In FY 2004, $127,400 was transferred out of the New Construction Fund to pay for EDC, $1 million was transferred out in FY 2005 and $7.5 million is estimated to be transferred out in FY 2006.

Payment Process

School districts need to present invoices to SFB in order to be reimbursed for construction costs. Districts are not always timely in handing in their invoices. This causes a problem in terms of cash flow projections since SFB cannot issue funding without receiving an invoice. Reasons that districts do not submit their invoices may be due to the district not knowing the money is there for them, forgetting to submit their invoices, or having enough funding available in their budget to bundle together invoices.

Table 3

Summary of Land Purchases and Donations

	Year							
	1999	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	***Total***
Purchased:								
Acres	330	328	462	306	148	41	52	*1,667*
Price	$16.6M	$19.7M	$24.1M	$14.1M	$12.6M	$4.4M	$11.7M	*$103.2M*
Donated:								
Acres	113	308	265	97	174	58	277	*1,292*
Price [1/]	$4.9M	$3.7M	$5.4M	$1.2M	$3.1M	$0.8M	$8.7M	*$27.8M*
Total:								
Acres	*443*	*636*	*727*	*403*	*322*	*99*	*329*	*2,959*
Price	*$21.5M*	*$23.4M*	*$29.5M*	*$15.3M*	*$15.7M*	*$5.2M*	*$20.4M*	*$131M*

1/ Donated price refers to 20% of the fair market value of the land given to the districts for donated acres.